



MEDIA RELEASE

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FSC slams Fair Work Commission involvement in My Super

The Financial Services Council is today briefing government and Treasury on the excessive costs associated with the Fair Work Commission process for selecting MySuper default funds and is calling for the end of the FWC's role in selecting superannuation funds in Modern Awards.

John Brogden, CEO of the Financial Services Council said: "Australia's superannuation industry is paying \$45 million just to comply with the Fair Work Commission default fund selection process with no benefit whatsoever."

"The system has delivered more red-tape and unnecessary regulatory costs for employers and the super industry," Mr Brogden said.

"MySuper funds are approved in a detailed process by the prudential regulator, APRA. The role of the Fair Work Commission is a duplication of an existing process by the appropriate body."

"Ultimately, it is consumers who pay the price."

The FSC's submission to Treasury on superannuation reform condemns the multi-staged FWC process for selection of default fund products for MySuper as anticompetitive and biased to superannuation funds owned by unions and employer organisations.

"The current default fund selection process explicitly favours superannuation funds owned by unions and employer organisations which are only parties eligible to make submissions to the Commission during the second stage of the selection process." Mr Brogden said.

"It's a closed shop."

"Half of the superannuation sector has been excluded from the critical staged of the decision making process which determines whether a fund will be named in a Modern Award."

"It is completely unacceptable that consumers' best interests are being overlooked in favour of sectional interests."

"We are calling on the government to commit to a genuinely competitive default market and to bring an end to this outrageous waste of members' money."

"We also urge the government to disband the Fair Work Commission default fund selection process as a priority," he said.

Mr Brogden also said: “True competition will result in lower fees and innovation in the default superannuation market.”

The FSC also said the government should intervene in the Fair Work Commission hearings this week to seek to delay the process until its review of the default arrangements is finalised.

“Otherwise, superannuation funds will be forking out members’ money unnecessarily.”

The FSC surveyed members and calculated that compliance with the current default fund regime for generic MySuper products will cost superannuation funds \$45 million.

In addition, the separate FWC process for tailored MySuper products will cost superannuation funds \$38 000 per application. This can equate to massive costs for large superannuation funds which can have several hundred employer specific plans.

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About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, trustee companies and Public Trustees. The Council has over 130 members who are responsible for investing more than \$2.2 trillion on behalf of 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.